

(b) For all construction loans and those loans using multiple advances, only the actual amount to be disbursed at loan closing will be requested through the State Office terminal. Subsequent checks will be ordered as needed through the ADPS system.

(c) Program instructions provide information as to the type of note to be utilized and the method of handling advances and the interest accrued thereon. For individual loan programs, interest will accrue from the loan closing date or date of check whichever is later. For association and organization type loans interest will accrue from the date the check is delivered to the borrower. For all RRH, RCH, LH or RHS loans, interest will accrue from the date of the check.

(d) For all loan accounts, when the total amount has not been advanced at the amortization effective date, as defined in the FMI for Form FmHA or its successor agency under Public Law 103–354 1940–1, (and Form FmHA or its successor agency under Public Law 103–354 1944–51, for multiple family housing), the Finance Office will forward the remaining balance to the District Director or County Supervisor for appropriate action, unless the District Director or County Supervisor notifies the Finance Office of other arrangements.

(e) When a check cannot be negotiated within 20 working days from the date of the check, the District Director or County Supervisor will process the check(s) with Form(s) FmHA or its successor agency under Public Law 103–354 1940–10, “Cancellation of U.S. Treasury Check and/or Obligation,” (or Form FmHA or its successor agency under Public Law 103–354 1944–53, “Multiple Family Housing Cancellation of U.S. Treasury Check and/or Obligation,” for multiple family housing loans) in accordance with FmHA or its successor agency under Public Law 103–354 Instruction 2018–D (available in any FmHA or its successor agency under Public Law 103–354 office).

(f) The debt instruments executed at the time of loan closing constitute an obligation on the part of the Government to disburse all funds at one time or in multiple advances provided the funds are for purposes authorized by the Government at the time of loan

closing. This obligatory commitment takes priority over any intervening liens or advances by other creditors regardless of the provisions of the State laws involved.

[46 FR 36106, July 14, 1981, as amended at 50 FR 8584, Mar. 4, 1985; 53 FR 35670, Sept. 14, 1988; 54 FR 47959, Nov. 20, 1989; 55 FR 21524, May 25, 1990; 59 FR 54788, Nov. 2, 1994]

§ 1902.3 Procedures to follow in fund disbursement.

(a) The District Director or County Supervisor will determine during loan approval the amount(s) of loan check(s)—full or partial—and forward such request to be processed through the ADPS system.

(b) When check(s) are delivered to the District or County Office, the District Director or County Supervisor will make sure that the name of the borrower and the amount(s) of check(s) coincide with the request on file. The District Director or County Supervisor should be sure that the check is properly endorsed to insure payment to the intended recipient. Examples of such restrictive endorsements are:

(1) “For Deposit only to Account No. (Number of Construction Account) of (Name of Borrower) in (Name of Financial Institution).”

(2) “Pay to the order of (3rd party payee)” —(Contractor, Developer, Sub-Contractor, Building Supply House, etc.) for the purpose of ———.

(c) When necessary and only under the circumstances listed in § 1902.2 the District Director or County Supervisor will establish, or cause to be established, a supervised bank account. Funds deposited in a supervised bank account are to be recorded and accounted for on Form FmHA or its successor agency under Public Law 103–354 402.2, “Statement of Deposits and Withdrawals.”

[46 FR 36106, July 14, 1981, as amended at 53 FR 26588, July 14, 1988; 53 FR 35670, Sept. 14, 1988; 54 FR 39727, Sept. 28, 1989]

§ 1902.4 Establishing MFH reserve accounts in a supervised bank account.

(a) *General requirements.* All MFH borrowers required to maintain reserve accounts must place the reserve accounts